

Financial Statements of

BROCK UNIVERSITY

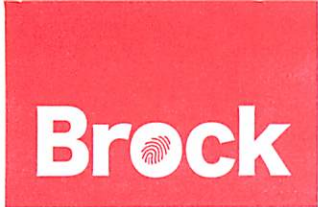
Year ended April 30, 2012

BROCK UNIVERSITY

Financial Statements

Year ended April 30, 2012

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STATEMENT OF ADMINISTRATIVE RESPONSIBILITY

The Administration of Brock University is responsible for the preparation of the financial statements, the notes and all other financial information contained in this annual report.

The Administration has prepared the financial statements in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. The Administration believes that financial statements present fairly the University's financial position as at April 30, 2012 and the results of its operations for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the Administration has developed and maintains a system of internal control designed to provide reasonable assurance that University assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Trustees is responsible for ensuring that the Administration fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Trustees carries out its responsibility for review of the financial statements principally through the Audit Committee. The members of the Audit Committee are not officers or employees of the University. The Audit Committee meets with the Administration, as well as the external auditors, to discuss the results of audit examinations and financial reporting matters and to satisfy itself that each party is properly discharging its responsibilities. The auditors have full access to the Audit Committee with and without the presence of the Administration.

The financial statements for the year ended April 30, 2012 have been reported on by KPMG LLP, Chartered Accountants, the auditors appointed by the Board of Trustees. The auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

A handwritten signature in black ink, appearing to be "J. Lightstone", with a long horizontal flourish extending to the right.

Dr. Jack Lightstone
President and Vice-Chancellor



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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

The Trustees of Brock University

We have audited the accompanying financial statements of Brock University, which comprise the statement of financial position as at April 30, 2012, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Brock University as at April 30, 2012 and its results of operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
October 4, 2012
St. Catharines, Canada

BROCK UNIVERSITY

Statement of Financial Position

Year ended April 30, 2012, with comparative figures for 2011
(in thousands of dollars)

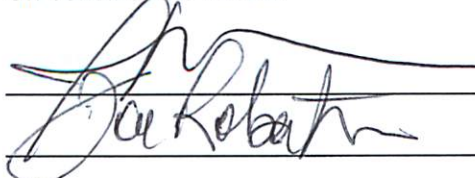
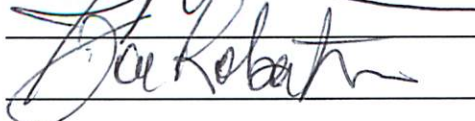
	2012	2011
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 53,420	\$ 36,182
Accounts receivable	9,659	15,603
Government grants receivable	4,611	3,283
Prepaid expenses and other assets	333	769
Inventories	3,411	2,883
	<u>71,434</u>	<u>58,720</u>
Restricted investments (note 3)	62,662	83,644
Capital assets (note 4)	297,071	270,627
	<u>\$ 431,167</u>	<u>\$ 412,991</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 24,758	\$ 40,216
Deferred revenue	14,244	12,246
Deferred contributions (note 5)	8,699	8,693
Current portion of long-term debt (note 6)	1,328	720
	<u>49,029</u>	<u>61,875</u>
Long-term debt (note 6)	52,656	31,288
Interest rate swap (note 16)	2,765	321
Debenture payable (note 7)	90,000	89,968
Deferred capital contributions (note 8)	161,584	156,440
Employee future benefits obligation (note 9)	14,948	12,774
Net assets:		
Endowment (note 10)	54,573	49,968
Invested in capital assets (note 11)	15,191	15,872
Internally restricted (note 12)	28,116	25,419
Unrestricted	(37,695)	(30,934)
	<u>60,185</u>	<u>60,325</u>
Commitments (note 13)		
Contingencies (note 15)		
	<u>\$ 431,167</u>	<u>\$ 412,991</u>

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

 Trustee
 Trustee

BROCK UNIVERSITY

Statement of Operations

Year ended April 30, 2012, with comparative figures for 2011
(in thousands of dollars)

	2012	2011
Revenues:		
Student fees	\$ 115,114	\$ 105,859
Government grants for general operations	89,377	86,574
Ancillary operations (note 20)	29,520	29,306
Grants and other revenues for restricted purposes	1,196	1,048
Investment income	1,704	809
Other	14,548	13,632
Research grants for restricted purposes	13,901	17,330
Amortization of deferred capital contributions (note 8)	4,706	5,881
	<u>270,066</u>	<u>260,439</u>
Expenses:		
Salaries and benefits	178,521	166,475
Scholarships, fellowships and bursaries	11,530	12,503
Supplies and expenses	11,522	11,596
Materials and expendable equipment	3,424	3,824
Repairs, maintenance and rent	5,936	6,043
Utilities and taxes	7,424	7,706
Interest on long-term debt	6,154	6,203
Cost of sales	8,146	8,450
Other	11,433	12,575
Research, including fellowships	13,901	17,330
Amortization of capital assets	14,376	13,500
	<u>272,367</u>	<u>266,205</u>
Excess of expenses over revenues	\$ (2,301)	\$ (5,766)

The accompanying notes and Schedule I are an integral part of these financial statements.

BROCK UNIVERSITY

Statement of Changes in Net Assets

Year ended April 30, 2012, with comparative figures for 2011
(in thousands of dollars)

	Endowments (note 10)	Invested in capital assets (note 11)	Internally restricted (note 12)	Unrestricted	2012 Total	2011 Total
Net assets, beginning of year	\$ 49,968	\$ 15,872	\$ 25,419	\$ (30,934)	\$ 60,325	\$ 58,021
Excess of revenues over expenses (expenses over revenues)	-	(9,670)	-	7,369	(2,301)	(5,766)
Change in internally restricted net assets	-	-	2,697	(2,697)	-	-
Net change in investment in capital assets (note 11 (b))	-	8,989	-	(8,989)	-	-
Change in fair value of interest rate swap (note 16)	-	-	-	(2,444)	(2,444)	(321)
Change in endowment net assets (note 10(a))	4,605	-	-	-	4,605	8,391
Net assets, end of year	\$ 54,573	\$ 15,191	\$ 28,116	\$ (37,695)	\$ 60,185	\$ 60,325

The accompanying notes are an integral part of these financial statements.

BROCK UNIVERSITY

Statement of Cash Flows

Year ended April 30, 2012, with comparative figures for 2011
(in thousands of dollars)

	2012	2011
Cash provided by (used in):		
Operating activities:		
Excess of expenses over revenues	\$ (2,301)	\$ (5,766)
Add (deduct) non-cash items:		
Amortization of capital assets	14,376	13,500
Amortization of deferred capital contributions	(4,706)	(5,881)
Amortization of deferred charges	32	32
	7,401	1,885
Net change in non-cash working capital balances related to operations:		
Decrease (increase) in accounts receivable	5,944	(5,234)
Increase in government grants receivable	(1,328)	(17)
Decrease in prepaid expenses and other assets	436	158
Increase in inventories	(528)	(398)
(Decrease) Increase in accounts payable and accrued liabilities	(5,985)	4,334
Increase in deferred revenue	1,998	1,218
(Decrease) increase in deferred contributions	6	(280)
Net change in employee future benefits obligations	2,174	1,678
Cash provided by operating activities	10,118	3,344
Financing activities:		
Contributions restricted for capital purchases	9,850	36,621
Increase in long-term debt	22,696	10,000
Repayment of long-term debt	(720)	(671)
Cash provided in financing activities	31,826	45,950
Investing activities:		
Purchase of investments, net	20,982	186
Purchase of capital assets	(50,293)	(52,353)
Change in endowment net assets	4,605	8,391
Cash used in investing activities	(24,706)	(43,776)
Increase in cash	17,238	5,518
Cash and cash equivalents, beginning of year	36,182	30,664
Cash and cash equivalents, end of year	\$ 53,420	\$ 36,182

The accompanying notes are an integral part of these financial statements.

BROCK UNIVERSITY

Notes to Financial Statements

Year ended April 30, 2012

Incorporated in 1964, Brock University has continually developed rigorous undergraduate, graduate and doctoral programs, including experiential learning opportunities and one of Canada's largest co-op programs. Our cross-disciplinary and interdisciplinary programs offer multi-faceted degrees that help students build careers and get jobs. Our culture allows students to develop intellectually and build the kind of social maturity and personal character that today's economy and employers demand.

These financial statements reflect the assets, liabilities, net assets, revenue, expenses and other transactions of all of the operations controlled by the University. Accordingly, these financial statements include the academic, administrative and other operating expenditures funded by fees, grants and other general revenue; restricted purpose funds, including endowment, research and trust; and the ancillary operations, such as residence and parking

The University is a charitable organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are summarized below:

(a) Cash and cash equivalents:

Cash equivalents are held for the purpose of meeting short-term cash commitments, are readily convertible to a known amount of cash and are subject to an insignificant amount of risk of changes in value. Cash equivalents include money market funds and investments with maturities of three months or less from the date of acquisition. Cash and cash equivalents are valued at market value.

(b) Inventories:

Inventories are stated at the lower of cost (weighted average cost) and net realizable value.

(c) Investments:

Investments are recorded at market value.

(d) Capital assets:

Purchased capital assets are recorded at cost less accumulated amortization. Contributions of capital assets are capitalized at fair market value at the date of contribution. Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Buildings	2.5% to 10%
Furnishings and equipment	10% to 33 1/3%
Library books	20%

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2012

1. Significant accounting policies (continued):

(d) Capital assets (continued):

Construction costs are capitalized as work progresses and amortization commences as work is substantially completed.

(e) Works of Art:

Contributed works of art are recorded as revenue and expense, at fair market value, at the date of contribution. If the fair market value is not determinable, the contribution is recorded at a nominal amount. Artwork purchases are expensed as acquired.

(f) Endowments:

Contributions restricted for endowments consist of restricted donations received by the University and donations internally designated by the Board of Trustees, in the exercise of its discretion. The endowment principal is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by donors or the Board of Trustees. The University ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

Investment income on endowments that is available for spending at the discretion of the University or is available for spending as the conditions established by the donor have been met has been recorded in the statement of operations and changes in net assets. University policy has been established with the objective of protecting the real value of the endowments by having an overall investment objective for endowments to earn, over time, a rate of return at least equal to the total of inflation plus spending and the costs of administering the funds. Underlying the investment objective is a spending rate that limits allocations to an estimated long-term rate of investment return. The spending rate is reviewed annually based on a moving three year average of the investment pool period. Investment income in excess of administration costs and spending allocations will be added to capital, up to the rate of inflation. Any additional excess will be set aside in a stabilization reserve that can be drawn upon in years when income is less than the spending allocated. In the case of new endowments where the pro-rata annual investment return less administrative costs is lower than the spending allocation, the spending on these endowments may be temporarily suspended in order to preserve donor capital.

(g) Internally imposed restrictions on net assets:

The University internally restricts the use of portions of its externally unrestricted net assets for specific future uses. When incurred, expenses are charged to operations and the balance of internally restricted net assets is reduced accordingly.

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2012

1. Significant accounting policies (continued):

(h) Revenue recognition:

The University follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted donations are recognized on a cash basis since pledges are not legally enforceable claims. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the year in which they are received. Student fees are recognized as revenue when courses and seminars are held. Sales and services revenue is recognized at the point of sale or when the service has been provided.

(i) Contributed services and materials:

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty of determining their fair value, contributed services and materials are not recognized in these financial statements.

(j) Employee future benefits:

(i) Pension benefit plan:

The University provides pension benefits to employees primarily through a hybrid pension plan. Under this arrangement, the University and employees are required to make contributions based on a specified percentage of the employee's earnings. The amount of pension benefits provided to employees is based upon the accumulation of contributions and investment earnings thereon, when the employee retires, subject to a guaranteed minimum benefit amount. The University records the cost of providing this benefit equal to its requirement to make contributions on an annual basis. Certain faculty are members of the Teachers' Superannuation Fund, a multi-employer defined benefit plan. Contributions to this plan are expensed when due.

Assets of the pension plan are valued using market values at April 30, 2012. The excess of the cumulative net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the expected average remaining service period of active employees.

(ii) Other benefit plans:

The University also has a number of defined benefit programs that provide employees with benefits upon retirement or cessation of active service.

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2012

1. Significant accounting policies (continued):

(j) Employee future benefits (continued):

(ii) Other benefit plans (continued):

The cost of these programs is determined on an actuarial basis using the projected benefit method prorated on services and management's best estimates regarding assumptions about a number of future conditions including salary changes, withdrawals, mortality rates and expected health care costs. The discount rate used to determine service cost and liabilities is based on the prevailing market interest rates on long-term fixed income securities with maturities that match the expected maturities of the obligations. The excess of the cumulative net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the expected average remaining service period of active employees.

(k) Derivative financial instrument and hedge accounting:

The University is party to interest rate swap agreements used to manage the exposure to market risks from changing interest rates. The University's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The University accounts for interest rate swaps as hedges. The University formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. This process includes linking the interest rate swaps to specific long-term debt on the statement of financial position. The University also formally assesses, both at the hedge's inception and on an on-going basis, whether the interest rate swaps that are used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items.

The effective portion of any unrealized gain or loss on the interest rate swaps is recorded as a direct increase or decrease to net assets, as the case may be. Payments and receipts under the interest rate swaps are recognized as adjustments to interest expense on long-term debt.

(l) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the period reported. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, valuation allowances for receivables, valuation of derivative financial instruments, and assets and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2012

1. Significant accounting policies (continued):

(m) Pledges:

Pledges are recorded as revenue on a cash basis and accordingly are not set up as assets in the financial statements. The total amount of pledges outstanding is approximately \$14,866,467 at April 30, 2012 (2011 - \$21,346,380) and is expected to be received as follows:

(000's)	2012	2011
2012	\$ -	\$ 4,472
2013	3,486	6,203
2014	2,873	3,044
2015	3,145	2,856
2016	2,716	2,587
2017	626	-
Thereafter	2,020	2,184
	<u>\$ 14,866</u>	<u>\$ 21,346</u>

(n) Financial instruments:

All financial instruments are initially recorded on the statement of financial position at fair value. They are subsequently valued at fair value or amortized cost depending on the classification selected for the financial instrument. Financial assets are classified as either "held-for-trading", "held-to-maturity", "available-for-sale", or "loans and receivables" and financial liabilities are classified as either "held-for trading" or "other liabilities". Financial assets and liabilities classified as held-for-trading are measured at fair value with the change in fair value recorded in the statement of operations or in the endowment fund for externally restricted investments. Financial assets classified as held-to-maturity or loans and receivables and financial liabilities classified as other liabilities are subsequently measured at amortized costs using the effective interest method. Available-for-sale financial assets that have a quoted price in an active market are measured at fair value with the change in fair value recorded in net assets. Such gains or losses are reclassified to the statement of operations when the related financial asset is disposed of or when the decline in value is considered to be other-than-temporary.

The University has classified its financial instruments as follows:

Cash and cash equivalents	Held-for-trading
Accounts receivable	Loans and receivable
Government grants receivable	Loans and receivable
Investments	Held-for-trading
Accounts payable and accrued liabilities	Other liabilities
Current and long-term debt	Other liabilities

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2012

1. Significant accounting policies (continued):

(n) Financial instruments (continued):

The University has continued to disclose and present financial instruments under Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" for the year end April 30, 2012.

2. Cash and cash equivalents:

The market values of the cash and cash equivalents are as follows:

(000's)	2012	2011
Cash and cash equivalents	\$ 28,546	\$ 26,182
Held for future capital projects Cash and cash equivalents	24,874	10,000
	<u>\$ 53,420</u>	<u>\$ 36,182</u>

3. Restricted investments:

The market values of investments are as follows:

(000's)	2012	2011
Invested for endowments		
Cash and cash equivalents	\$ 705	\$ (573)
McLean Budden		
Equity Growth Fund	-	11,263
Fixed Income Pooled Fund	14,649	19,799
Walter Scott & Partners Global Fund	29,189	19,479
Mawer Equity Income Pooled Fund	10,030	-
	<u>54,573</u>	<u>49,968</u>
Invested for unspent capital projects		
Cash and cash equivalents	4,356	30,892
	<u>4,356</u>	<u>30,892</u>
Invested for future loan repayments		
McLean Budden long-term fixed income fund	3,733	2,784
	<u>3,733</u>	<u>2,784</u>
	<u>\$ 62,662</u>	<u>\$ 83,644</u>

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2012

4. Capital assets:

(000's)	2012			2011		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Land	\$ 2,724	\$ -	\$ 2,724	\$ 2,415	\$ -	\$ 2,415
Buildings	427,080	140,788	286,292	389,533	129,321	260,212
Furnishings and equipment	67,881	61,165	6,716	65,412	58,816	6,596
Library books	39,682	38,343	1,339	39,187	37,783	1,404
	<u>\$ 537,367</u>	<u>\$ 240,296</u>	<u>\$ 297,071</u>	<u>\$ 496,547</u>	<u>\$ 225,920</u>	<u>\$270,627</u>

Included in buildings is \$112,626,076 (2011 - \$75,352,681) of construction in progress that was not amortized during the year.

The increase in net book value of capital assets is due to the following:

(000's)	2012	2011
Balance, beginning of year	\$ 270,627	\$ 215,760
Purchase of capital assets funded by deferred capital contributions	13,630	66,436
Transfer of land from Foundation	308	-
Purchase of capital assets internally financed	7,652	1,623
Purchase of capital assets financed by proceeds of long term debt	7,822	-
Purchase of capital assets financed by accounts payable	11,408	309
Amortization of capital assets	(14,376)	(13,500)
Balance, end of year	<u>\$ 297,071</u>	<u>\$ 270,627</u>

5. Deferred contributions:

Deferred contributions represent unspent externally restricted grants and donations for research and other restricted purposes. The changes in the deferred contributions balance are as follows:

(000's)	2012	2011
Balance, beginning of year	\$ 8,693	\$ 8,973
Grants, donations and other expendable funds	13,908	17,050
Amounts recorded as revenue during the year	(13,902)	(17,330)
Balance, end of year	<u>\$ 8,699</u>	<u>\$ 8,693</u>

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2012

6. Long-term debt:

(000's)	2012	2011
Fixed rate instruments:		
Earp student residence: 7.2% loan with certain residences and investments pledged as security, with monthly blended payments of principal and interest of \$90,570, due October 1, 2028	\$ 10,477	\$ 10,797
Lowenberger student residence: 7.2% loan with certain residences and investments pledged as security, with monthly blended payments of principal and interest of \$71,873, due October 1, 2028	8,315	8,568
460 St. David's Road: 6.27% mortgage loan with monthly blended payments of principal and interest of \$25,459, due September 1, 2013	2,496	2,643
	<u>21,288</u>	<u>22,008</u>
Variable rate instrument:		
Cairns Family Health and Bioscience Research Complex: Variable rate mortgage loan with monthly payments commencing one month past June 29, 2012, due June 29, 2022	32,696	10,000
	<u>53,984</u>	<u>32,008</u>
Less current portion	1,328	720
	<u>\$ 52,656</u>	<u>\$ 31,288</u>

(a) Debt maturities:

The following are the future minimum annual debt principal repayments due over the next five fiscal years and thereafter:

(000's)	
2012	\$ 1,328
2013	3,773
2014	1,514
2015	1,601
2016	1,695
Thereafter	44,073
	<u>\$ 53,984</u>

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2012

6. Long-term debt (continued):

(b) Bank credit facility:

The University has available operating lines of credit of \$10,000,000 and \$5,000,000 which were not utilized at April 30, 2012. The interest rate on the operating line of credits, when drawn, are the Bank's Prime lending rate from time to time minus 0.55% and the Bank's Prime lending rate from time to time, respectively (the prime rate at April 30, 2012 was 3.00%). Amounts are due on demand.

The University has available a committed overdraft loan totaling \$15,000,000 which was not utilized at April 30, 2012. The loan is to provide an interim bridge facility to assist in the construction of the Cairns Family Health and Bioscience Research Complex and the Marilyn I. Walker School of Fine and Performing Arts. The interest rate on the committed overdraft loan, when drawn, is the Bank's Prime lending rate from time to time (the prime rate at April 30, 2012 was 3.00%) and has a maturity date of 3 years from financial close.

The University has available a committed non-revolving, reducing term loan totaling \$33,000,000, of which \$32,696,000 has been drawn at April 30, 2012. The loan is for the financing of the construction of the Cairns Family Health and Bioscience Research Complex. The interest rate on the committed non-revolving, reducing term loan is the rate for Canadian Dollar Banker's Acceptances ("BA") plus 1.10% (the BA rate at April 30, 2012 was 1.17%) or monthly fixed rate operating loans available at CDOR Rate plus 1.10% per annum. The University has entered into interest rate swap agreements to manage the volatility of these interest rates on \$28,000,000 of the loan. Amounts are due 10 years from June 29, 2012.

(c) Fair value:

The approximate fair value of the fixed rate instruments included in long-term debt is \$23,680,800 (2011 - \$24,890,000).

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2012

7. Debenture payable:

(000's)	2012	2011
Debenture payable, bearing interest at 4.967%, \$2,309,000 payable interest only semi-annually, due December 14, 2045	\$ 93,000	\$ 93,000
Deferred refinancing expenses	(3,000)	(3,032)
	\$ 90,000	\$ 89,968

The University has established an internal sinking fund and purchased McLean Budden long-term fixed income funds with a market value of \$3,732,630 (2011 - \$2,783,975). It is the University's policy to continue to make annual contributions so that the ultimate proceeds of the investments will be applied against the debenture payable, due December 14, 2045 (see note 3). The annual contributions are currently set at \$475,000 until 2028 at which time will increase to \$2,424,000 until 2045.

The approximate fair value of the debenture payable is \$94,026,400 (2011 - \$97,357,000).

8. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations and changes in net assets. The changes in the deferred capital contributions balance are as follows:

(000's)	2012	2011
Balance, beginning of year	\$ 156,440	\$ 125,700
Less amortization of deferred capital contributions	(4,706)	(5,881)
Add contributions restricted for capital purposes	9,850	36,621
Balance, end of year	\$ 161,584	\$ 156,440

The balance of unamortized capital contributions related to capital assets consists of the following:

(000's)	2012	2011
Unamortized capital contributions used to purchase assets	\$ 157,401	\$ 148,477
Unspent capital contributions	4,183	7,963
	\$ 161,584	\$ 156,440

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2012

9. Employee future benefits obligation:

(a) Pension benefit plan:

The University sponsors a hybrid pension plan, which contains both a defined contribution component and a defined benefit component. The defined contribution component of the plan is funded by University and member contributions and provides a benefit to members based on their accumulated account balance. The defined benefit component of the plan is funded by University contributions and provides for a guaranteed minimum benefit. The latest actuarial funding valuation was performed as at July 1, 2011. The next required actuarial funding valuation will be July 1, 2014.

The University measured its accrued benefit obligation and fair value of plan assets for accounting purposes as at April 30, 2012. A summary of the financial status of the plan is as follows:

(000's)	2012	2011
Accrued benefit obligation	\$ 320,566	\$ 292,662
Fair value of plan assets	299,005	285,462
Plan deficit	(21,561)	(7,200)
Balance of unamortized actuarial loss	21,561	7,200
Accrued benefit liability	\$ -	\$ -

The principal actuarial assumptions adopted in measuring the University's employee future benefits obligation are as follows:

	2012	2011
Discount rate	4.85%	5.75%
Rate of compensation increases	3.75%	3.5% to 4.5%
Expected long-term rate of return on plan assets	6.25%	6.25%

The contribution and the amount expensed for the University's pension benefit plans is as follows:

(000's)	2012	2011
Pension benefit plan	\$ 15,354	\$ 10,578
Multi-employer teachers plan	85	99

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2012

9. Employee future benefits obligation (continued):

(b) Other benefit plans:

The University has a number of non-pension future benefits that are available to most of its employees. These non-pension benefits include retiree medical and dental benefits until the age of 65, accumulating sick leave benefits and pre-retirement leave benefits and, for specific employees, a health care spending account. The latest actuarial funding valuation was performed as at April 30, 2012.

A summary of the financial status of the plans is as follows:

(000's)	2012	2011
Accrued benefit obligation	\$ 18,858	\$ 16,558
Fair value of plan assets	-	-
Plan deficit	(18,858)	(16,558)
Balance of unamortized past service costs	2,326	2,264
Balance of unamortized actuarial loss	1,584	1,520
Accrued benefit liability	\$ (14,948)	\$ (12,774)

The principal actuarial assumptions adopted in measuring the University's employee future benefits obligation are as follows:

	2012	2011
Discount rate	4.25% - 4.85%	4.75% - 5.50%
Health care costs	9.45% in 2010 decreasing over 20 years to 4.50%	
Other benefits costs	3.75%	4.50%

The expense for the University's other benefit plans is as follows:

(000's)	2012	2011
Non-pension defined benefit plans	\$ 2,737	\$ 2,081
Non-pension benefit plans	563	403

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2012

10. Endowments:

(a) Change in endowment net assets:

The following were recorded directly to endowment net assets:

(000's)	2012	2011
Contributions restricted for endowments	\$ 3,652	\$ 5,361
Investment income	1,302	2,203
Internally allocated for scholarship spending	(458)	(804)
Unrealized gain	109	1,631
	<u>\$ 4,605</u>	<u>\$ 8,391</u>

(b) Contributions restricted for endowments consist of the following:

(000's)	2012	2011
Externally restricted	\$ 44,661	\$ 41,011
Internally restricted	9,912	8,957
	<u>\$ 54,573</u>	<u>\$ 49,968</u>

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2012

10. Endowments (continued):

(c) Ontario Student Opportunity Trust Fund, Phase One:

Externally restricted endowments include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund ("OSOTF") matching program, Phase One to award student aid as a result of raising an equal amount of endowed donations.

Schedule of Changes in Expendable Funds Available for Awards:

(000's)	2012	2011
Expendable funds available for awards, beginning of year	\$ 389	\$ 176
Investment income eligible for expenditures	191	457
Bursaries awarded	(247)	(244)
Expendable funds available for awards, end of year	\$ 333	\$ 389
Total OSOTF, Phase One, end of year	\$ 8,580	\$ 8,678
Number of bursaries awarded	132	134

Schedule of Changes in Endowment Balance based on book and market value:

(000's)	2012		2011	
	Market	Book	Market	Book
Endowment balance, beginning of year	\$ 8,887	\$ 8,289	\$ 8,399	\$ 8,073
Unrealized gain for the year	5	-	272	-
Investment income (loss) less bursaries awarded	(42)	(42)	216	216
Endowment balance, end of year	\$ 8,850	\$ 8,247	\$ 8,887	\$ 8,289

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2012

10. Endowments (continued):

(d) Ontario Student Opportunity Trust Fund, Phase Two:

Externally restricted endowments include grants provided by the Government of Ontario from the Ontario Student Opportunity Trust Fund ("OSOTF") matching program, Phase Two to award student aid as a result of raising an equal amount of endowed donations.

Schedule of Changes in Expendable Funds Available for Awards:

(000's)		2012		2011
Expendable funds available for awards, beginning of year	\$	290	\$	209
Investment income eligible for expenditures		67		177
Bursaries awarded		(96)		(96)
Expendable funds available for awards, end of year	\$	261	\$	290
Total OSOTF, Phase Two, end of year	\$	3,390	\$	3,444
Number of bursaries awarded		32		33

Schedule of Changes in Endowment Balance based on book and market value:

(000's)		2012		2011	
		Market	Book	Market	Book
Endowment balance, beginning of year	\$	3,391	\$ 3,154	\$ 3,208	\$ 3,075
Unrealized gain for the year		1	-	104	-
Investment income (loss) less bursaries awarded		(24)	(24)	79	79
Endowment balance, end of year	\$	3,368	\$ 3,130	\$ 3,391	\$ 3,154

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2012

10. Endowments (continued):

(e) Ontario Trust for Student Support

Externally restricted endowments include grants provided by the Government of Ontario from the Ontario Trust for Student Scholarship ("OTSS") matching program to award student aid as a result of raising an equal amount of endowment donations to an allocated ceiling.

Schedule of Changes in Expendable Funds Available for Awards:

(000's)	2012	2011
Expendable funds available for awards, beginning of year	\$ 698	\$ 126
Investment income eligible for expenditures	500	781
Bursaries awarded	(225)	(209)
Expendable funds available for awards, end of year	\$ 973	\$ 698
Total OTSS, end of year	\$ 18,047	\$ 14,828
Number of bursaries awarded	219	138

Schedule of Changes in Endowment Balance based on book and market value:

(000's)	2012		2011	
	Market	Book	Market	Book
Endowment balance, beginning of year	\$16,935	\$15,451	\$13,026	\$13,055
Cash donations received	660	660	796	796
Funds received from the Ministry	787	787	1,149	1,149
Unrealized gain in the current year	28	-	1,513	-
Investment income less bursaries awarded	176	176	451	451
Endowment balance, end of year	\$18,586	\$17,074	\$16,935	\$15,451

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2012

11. Net assets invested in capital assets:

(a) Net assets invested in capital assets consist of the following:

(000's)	2012	2011
Capital assets, net (note 4)	\$ 297,071	\$ 270,627
Less amounts financed by:		
Long-term debt (note 6)	(53,984)	(32,008)
Deferred capital contributions (note 8)	(157,401)	(148,477)
Debenture payable	(83,961)	(83,961)
Accounts payable	(11,408)	(309)
Cash and cash equivalents held for future capital projects	24,874	10,000
Balance, end of year	\$ 15,191	\$ 15,872

(b) The change in net assets invested in capital assets is calculated as follows:

(000's)	2012	2011
Repayment of long-term debt	\$ 720	\$ 671
Donation of land	308	-
Purchase of capital assets internally financed	7,652	1,623
Payment of accounts payable related to capital assets	309	2,510
Increase in invested in capital assets	8,989	4,804
Amortization expense	(14,376)	(13,500)
Less amortization of deferred capital contributions	4,706	5,881
Decrease in invested in capital assets	(9,670)	(7,619)
Net change in invested in capital assets	\$ (681)	\$ (2,815)

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2012

12. Internally restricted net assets:

Internally restricted net assets carried forward for allocation and spending in subsequent years consist of the following:

(000's)	2012	2011
Operations:		
Faculty departments An agreement exists that permit faculty departments to automatically carryforward cumulative unspent budgeted funds. These funds are typically committed for targeted expenditures.	\$ 7,944	\$ 6,688
Other departments Unspent budgeted funds for specific programs are automatically carried forward. In addition, other departments are permitted to make specific annual requests for targeted expenditures.	7,228	7,618
Student support grants, bursaries and fellowships Budgeted funds established for specific student initiatives are committed for their intended purpose.	1,675	1,790
Library department and acquisitions An agreement exists that permits the library department to automatically carryforward cumulative unspent budgeted funds.	650	796
Capital and infrastructure projects and reserves Department reserve funds and global budgets established for specific capital and infrastructure initiatives.	4,725	4,541
Global Budget Initiatives Unspent targeted global funds that are held centrally until departmental allocations are known.	1,275	1,501
Operating Budget One-time budgeted funds committed to the annual operating budget.	3,472	1,769
	26,969	24,703
Accumulated interest on investments for specific purposes These funds are recognized on investments that have been established for the repayment of the debentures payable.	897	423
Research funds with no external obligations These funds are recognized revenue from research contracts and have been restricted for use on research projects	250	293
	\$ 28,116	\$ 25,419

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2012

13. Commitments:

- a) As at April 30, 2012, the estimated costs to complete approved capital and renovation projects are approximately \$17,774,000 (2011 - \$32,612,500), which will be funded by government grants, donations, operations and long-term debt proceeds.
- b) The following are the future minimum annual operating lease payments due over the next five fiscal years and thereafter (in 000's):

2013	\$ 1,110
2014	1,093
2015	1,088
2016	1,102
2017	1,124
Thereafter	7,556
	<hr/>
	\$ 13,073

14. Canadian Universities Reciprocal Insurance Exchange:

The University is a member of the Canadian Universities Reciprocal Insurance Exchange ("CURIE"). CURIE is a pooling of the property damage and public liability insurance risks of its members. All members pay annual deposit premiums which are actuarially determined and are subject to further assessment in the event members' premiums are insufficient to cover losses and expenses. No assessment has been made for the year ended April 30, 2012.

15. Contingencies:

The nature of the University's activities are such that there may be litigation pending or in the prospect at any time. With respect to claims at April 30, 2012, administration believes that the University has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, administration believes that such claims are not expected to have a material effect on the University's financial position. No provision has been accrued in these financial statements in respect of the above litigation.

16. Financial instruments:

For certain of the University's financial instruments, including cash, accounts receivable, government grants receivable and accounts payable and accrued liabilities, the carrying values approximate the fair values due to their short-term maturity. The fair value of marketable securities and investments, determined based on quoted market values, are disclosed in notes 2 and 3. The fair market value of long-term debt is disclosed in notes 6 and 7.

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2012

16. Financial instruments (continued):

Interest rate swaps:

The University has entered into interest rate swap agreements to manage the volatility of interest rates. The University converted a net notional of \$28,000,000 of floating rate long-term debt relating to the Cairns Family Health and Bioscience Research Complex and Marilyn I. Walker School of Fine and Performing Arts. The fixed rates received under the interest rate swaps range from 2.85% to 4.69%. The maturity dates of the interest rate swaps are the same as the maturity dates of the associated long-term debt of June 29, 2022.

The fair value of the interest rate swaps at April 30, 2012 are in a net unfavourable position of \$2,765,126 (2011 - \$321,299) which is recorded as a liability on the statement of financial position. The current year impact of the change in fair value of the interest rate swap is a decrease to net assets by \$2,443,827 (2011 - \$321,299).

17. Capital management:

In managing capital, the University focuses on liquid resources available for operations. The University's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purpose. The need for sufficient liquid resources is considered in the preparation of the annual operating budget and capital projects, with actual results being compared to budget on a regular basis, and in the monitoring and forecasting of cash flows.

The University has available lines of credit of \$30.0 million that can be used when sufficient cash flow is not available from operations to cover operating and capital expenditures. This line of credit was not utilized during the current fiscal year.

As at April 30, 2012, the University has met its objective of having sufficient liquid resources to meet its current obligations.

18. First Generation Pilot Project Initiatives:

For the period from April 1, 2010 to March 31, 2012, the University's financial statements include expenditures totaling \$878,383 for the purpose of carrying out the First Generation Pilot Project Initiatives. The goal of this project is to increase the awareness of the benefits of post-secondary education of first generation students thereby increasing their participation, retention and graduation rates.

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2012

19. Other information:

The Statement of Operations consolidates all the revenue and expense activities of the university. Schedule I segments these activities of the university into the following funds: general and ancillary operations, externally restricted research and student awards, internally restricted, investments in capital and endowments. In addition the net assets for these segments are provided.

General operations include government operating grants, tuition fees and other income received to fund salaries, benefits, material and supplies, bursaries and general operating costs associated with instruction, academic, student and administrative support services and research other than sponsored or contract research. Ancillary operations include services provided which are supplementary to the university's primary function of instruction and research. They include the bookstore, parking, student residences and conferences services.

The format adopted for the operating budget enhances accountability and budgetary control of resources. The following schedule adjusts for those activities contained within the general and ancillary operations category to a basis consistent with the preparation and approval of the university's annual operating budget.

(000's)	2012	2011
General and Ancillary Operations –		
Excess of revenue over expenses (Schedule I)	\$ 7,369	\$ 1,853
Net adjustments to restate to an operating budget basis	(5,103)	(304)
Excess of revenues over expenses on an operating budget basis	2,266	1,549
Opening unrestricted surplus from the operating budget	(6,968)	(2,805)
Transfers to internally restricted - operations (note 12)	(2,266)	(5,712)
Ending unrestricted deficit on an operating budget basis	\$ (6,968)	\$ (6,968)

Net adjustments relate to revenue and expenses that are treated differently in the financial statements, under generally accepted accounting principles from the treatment in the operating budget. Revenues that are not included in the operating budget such as donations and trust fund contributions, investment income for the internal sinking funds, and project funds designated for specific purposes such as internal research. Expenses not included in the operating budget include actuarially determined costs for employee future benefit costs, and student awards and bursaries paid through the trust fund. Expenses included only in the operating budget are principle repayments, sinking fund contributions and capital purchases for equipment, computers and library books.

BROCK UNIVERSITY

Notes to Financial Statements (continued)

Year ended April 30, 2012

20. Ancillary operations:

(000's)	2012	2011
Revenues:		
Campus store	\$ 11,000	\$ 11,330
Parking	2,957	2,855
Residence/conference services	15,563	15,121
	<hr/>	<hr/>
	29,520	29,306
Expenses:		
Campus store	9,839	10,048
Parking	1,534	1,538
Residence/conference services	13,924	13,964
	<hr/>	<hr/>
	25,297	25,550
Excess of revenues over expenses	<hr/>	<hr/>
	\$ 4,223	\$ 3,756

21. Comparative figures:

The comparative financial statements have been reclassified to conform to the presentation of the 2012 financial statements.

BROCK UNIVERSITY

Schedule I – Statement of Operations by Fund Page 1 of 2

Year ended April 30, 2012

(in thousands of dollars)

	General and ancillary operations	Research and student awards	Total unrestricted	Internally restricted	Invested in capital assets	Subtotal	Endowments	Total
Revenues:								
Student fees	\$ 115,114	\$ -	\$ 115,114	\$ -	\$ -	\$ 115,114	\$ -	\$ 115,114
Government grants for general operations	89,377	-	89,377	-	-	89,377	-	89,377
Ancillary operations	29,520	-	29,520	-	-	29,520	-	29,520
Grants and donations for restricted purposes	-	1,196	1,196	-	-	1,196	3,652	4,848
Investment income	1,704	-	1,704	-	-	1,704	1,411	3,115
Other	14,548	-	14,548	-	-	14,548	-	14,548
Research grants for restricted purposes	-	13,901	13,901	-	-	13,901	-	13,901
Amortization of deferred capital contributions	-	-	-	-	4,706	4,706	-	4,706
	250,263	15,097	265,360	-	4,706	270,066	5,063	275,129
Expenses:								
Salaries and benefits	178,521	-	178,521	-	-	178,521	-	178,521
Scholarships, fellowships and bursaries	10,334	1,196	11,530	-	-	11,530	458	11,988
Supplies and expenses	11,522	-	11,522	-	-	11,522	-	11,522
Materials and expendable equipment	3,424	-	3,424	-	-	3,424	-	3,424
Repairs, maintenance and rent	5,936	-	5,936	-	-	5,936	-	5,936
Utilities and taxes	7,424	-	7,424	-	-	7,424	-	7,424
Interest	6,154	-	6,154	-	-	6,154	-	6,154
Cost of sales	8,146	-	8,146	-	-	8,146	-	8,146
Other	11,433	-	11,433	-	-	11,433	-	11,433
Research	-	13,901	13,901	-	-	13,901	-	13,901
Amortization of capital assets	-	-	-	-	14,376	14,376	-	14,376
	242,894	15,097	257,991	-	14,376	272,367	458	272,825
Excess of revenues over expenses (expenses over revenues)	7,369	-	7,369	-	(9,670)	(2,301)	4,605	2,304
Inter-fund transfers:								
Change in investment in capital assets	(8,989)	-	(8,989)	-	8,989	-	-	-
Change in internally restricted net assets	(2,697)	-	(2,697)	2,697	-	-	-	-
Change in fair market value of interest rate swap	(2,444)	-	(2,444)	-	-	(2,444)	-	(2,444)
Changes in net assets	(6,761)	-	(6,761)	2,697	(681)	(4,745)	4,605	(140)
Net assets, beginning of year	(30,934)	-	(30,934)	25,419	15,872	10,357	49,968	60,325
Net assets, end of year	\$ (37,695)	\$ -	\$ (37,695)	\$ 28,116	\$ 15,191	\$ 5,612	\$ 54,573	\$ 60,185

BROCK UNIVERSITY

Schedule I – Statement of Operations by Fund Page 2 of 2

Year ended April 30, 2011
(in thousands of dollars)

	General and ancillary operations	Research and student awards	Total unrestricted	Internally restricted	Invested in capital assets	Subtotal	Endowments	Total
Revenues:								
Student fees	\$ 105,859	\$ -	\$ 105,859	\$ -	\$ -	\$ 105,859	\$ -	\$ 105,859
Government grants for general operations	86,574	-	86,574	-	-	86,574	-	86,574
Ancillary operations	29,306	-	29,306	-	-	29,306	-	29,306
Grants and donations for restricted purposes	-	1,048	1,048	-	-	1,048	5,361	6,409
Investment income	809	-	809	-	-	809	3,834	4,643
Other	13,632	-	13,632	-	-	13,632	-	13,632
Research grants for restricted purposes	-	17,330	17,330	-	-	17,330	-	17,330
Amortization of deferred capital contributions	-	-	-	-	5,881	5,881	-	5,881
	236,180	18,378	254,558	-	5,881	260,439	9,195	269,634
Expenses:								
Salaries and benefits	166,475	-	166,475	-	-	166,475	-	166,475
Scholarships, fellowships and bursaries	11,455	1,048	12,503	-	-	12,503	804	13,307
Supplies and expenses	11,596	-	11,596	-	-	11,596	-	11,596
Materials and expendable equipment	3,824	-	3,824	-	-	3,824	-	3,824
Repairs, maintenance and rent	6,043	-	6,043	-	-	6,043	-	6,043
Utilities and taxes	7,706	-	7,706	-	-	7,706	-	7,706
Interest	6,203	-	6,203	-	-	6,203	-	6,203
Cost of sales	8,450	-	8,450	-	-	8,450	-	8,450
Other	12,575	-	12,575	-	-	12,575	-	12,575
Research	-	17,330	17,330	-	-	17,330	-	17,330
Amortization of capital assets	-	-	-	-	13,500	13,500	-	13,500
	234,327	18,378	252,705	-	13,500	266,205	804	267,009
Excess of revenues over expenses (expenses over revenues)	1,853	-	1,853	-	(7,619)	(5,766)	8,391	2,625
Inter-fund transfers:								
Change in investment in capital assets	(4,804)	-	(4,804)	-	4,804	-	-	-
Change in internally restricted net assets	(5,980)	-	(5,980)	5,980	-	-	-	-
Change in fair market value of interest rate swap	(321)	-	(321)	-	-	(321)	-	(321)
Changes in net assets	(9,252)	-	(9,252)	5,980	(2,815)	(6,087)	8,391	2,304
Net assets, beginning of year	(21,682)	-	(21,682)	19,439	18,687	16,444	41,577	58,021
Net assets, end of year	\$ (30,934)	\$ -	\$ (30,934)	\$ 25,419	\$ 15,872	\$ 10,357	\$ 49,968	\$ 60,325